

Title Insurance

Title insurance protects against losses that could occur if you discover after closing on a real estate deal that someone else can claim ownership of your property.

How title insurance works

Title insurance is paid for in a lump sum at the time of the closing and is based on the value of the property. Coverage starts on the day the policy is issued and extends backward in time. This is different from property or life insurance which protects you against losses that occur after the policy is issued.

Title insurance includes a search of past deeds, wills and trusts to ensure that the title has passed to each new owner correctly. The search also verifies that all liens, judgments and previous mortgages have been paid.

A search should uncover many potential problems, such as rights others may hold (e.g. rights of ways, view easements, power line easements, mineral rights), claims by prior undisclosed heirs, and pending legal actions. Title examiners also look for unpaid tax assessments or a neighbor's easement for right-of-way.

However, your title insurer will not provide you with a list of what they found in their search. And their search does not usually include government zonings or other land use regulations that could impact the marketability and use of your property.

When title insurance is required

If you are buying real estate in Washington and using a commercial lender to finance the purchase, the lender will require you to purchase title insurance equal to the amount of the loan.

Title insurance protects the lender up to the amount of the mortgage, but it doesn't protect your equity. In order to do this, you need an owner's title policy for the full price of the property.

Generally, most sellers pay for the owner's policy as part of their obligation to deliver a clean title to the buyer. An owner's policy costs roughly one half of one percent of the price of the property.

If you refinance, you will need to purchase a new title insurance policy for the lender. This policy provides the same coverage as the previous policy as well as protects the lender from any issues that may have arisen since you purchased the property, such as liens or easements.

If you pay cash for a property, you are not required to buy title insurance.

Choice of title insurance company is yours

Most lenders or brokers will recommend a title insurance company, but the final choice is yours. Unlike other types of insurance – such as auto or home insurance – title insurance companies do not market their products directly to the consumers who pay for them. They solicit business from real estate agents and agencies, banks, lenders, developers and others.

However, you pay the premium for the coverage. Take the time to shop around. Contact the companies you are interested in and compare costs and services. Even a small variation in price can make a difference.

Additional tips

- Make sure the title policy amount is for the full value of the property
- Check to see that the policy date matches the closing date of the escrow
- The policy must describe all of the property and interests you are purchasing
- Many title insurers offer a discount when both a lender and an owner policy are purchased at the same time
- Ask your title insurer if you qualify for other discounts
- Make sure the company you select meets your standards and those of your lender

For more information on title insurance or for a complete list of title insurance companies in Washington state, call our Insurance Consumer Hotline at 1-800-562-6900.

The Office of the Insurance Commissioner can help you!

If you have any questions or need additional information about your rights as an insurance consumer, call our Insurance Consumer Hotline at

1-800-562-6900

or visit our Web site at

<http://www.insurance.wa.gov/>